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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018 / 2019

BAB 2024 – MANAGEMENT ACCOUNTING FOR MANAGERS (All Sections/Groups)

20 OCTOBER 2018
9.00AM - 11.00AM
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **FOUR** pages (excluding cover page) with **FOUR** questions only.
2. Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Write your answers and workings in the Answer Booklet provided.

QUESTION 1

Forming Department of Pallet Furniture Bhd. has the following production and manufacturing cost data for the month of September 2018. All materials are added at the beginning of the process.

PALLET FURNITURE BERHAD
Forming Department
For the month ended 30 September 2018

<u>Production Data</u>	<u>Units</u>
Beginning work-in-process	0
Started into production	20,000
Completed and transferred out	18,000

Percent complete in ending work-in-process:

Direct Materials	100%
Conversion Cost	25%

<u>Manufacturing Costs</u>	<u>RM</u>
Beginning work-in-process	0

Cost incurred during production in September:

Direct Materials	48,000
Direct Labour	41,700
Manufacturing Overhead	36,000

Required:

- Compute the equivalent unit of production for material and conversion. (13 marks)
- Determine the unit cost for material and conversion. (5 marks)
- Show the assignment of costs to the units transferred out and in process at the end of the month. (7 marks)

[TOTAL 25 MARKS]

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QUESTION 2

Mochalatte Sdn. Bhd. produces Liberica coffee beans to supply locally in Malaysia. Sales in September 2018 was RM2,540,000 for 63,500 bags of coffee beans produced. The following costs information was available:

Variable Costs	RM952,500
Fixed Costs	RM650,000

The company is considering to install a new pulping machine in its production plant in November 2018. The pulping machine will reduce the variable costs per unit by 20%. However, this new machine will increase the company's fixed operating costs by RM23,000.

The pricing manager feels that the reduction in the variable costs should reduce the selling price of the coffee by RM5 per bag. The manager expects that the decrease in selling price will result in a 5% increase in the number of bags sold.

Required:

- a) Prepare a projected CVP income statement for November 2018 assuming the following independent assumptions:
 - (i) The new pulping machine is not equipped and no changes have been made. (3 marks)
 - (ii) The new pulping machine is fitted and changes are made as described. (8 marks)

Show both TOTAL and PER UNIT amounts in your presentation.
- b) Compute the degree of operating leverage for September 2018. (2 marks)
- c) Calculate the company's break-even point in units (bags) and Ringgit Malaysia (RM) for September 2018 (no changes made). (4 marks)
- d) Determine the break-even point in units (bags) and Ringgit Malaysia (RM) for Mochalatte Sdn. Bhd. if the changes are made for November 2018. (4 marks)
- e) Should Mochalatte Sdn. Bhd. implement the changes in November 2018? Why? (4 marks)

[TOTAL 25 MARKS]

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QUESTION 3

Collegiate Apparel Sdn. Bhd. (CASB) is in the initial stages of preparing the annual budget for next year, 2019. The sales department submitted the following forecast of units to be produced for next year:

	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
Units to be sold	15,000	5,000	10,000	20,000

The selling price is expected at RM12 per unit.

The management requests units in ending finished goods inventory to be 10% of the next quarter's expected sales in units. 1,500 completed units is expected to be on-hand at the beginning of 2019. The desired ending finished goods inventory for the 4th quarter of 2019 is 1,500 units.

Each unit of its product requires 1.5 yards of fabric. CASB's requirement for its fabric-on-hand at the end of each quarter is to be 10% of next quarter's raw materials required. CASB expects 2,100 yards of fabric to be available during the first quarter of 2019. The required yard on-hand for the 4th quarter of 2019 is 2,100 yards. Each yard of fabric cost the company RM2.

Required:

Prepare the following budgets for each quarter and for the year in total for 2019:

- a) Sales Budget (3 marks)
- b) Production Budget (10 marks)
- c) Direct Materials Budget (12 marks)

[TOTAL 25 MARKS]

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QUESTION 4

Diamond Sdn. Bhd., which produces a single product, BluStar, has the following budgeted cost details from the Polishing Department for the month of June 2018:

Variable costs:	RM	Fixed costs:	RM
Direct materials	RM 4,000	Supervision	12,500
Direct labour	1,280	Insurance expense	3,000
Indirect materials	800	Depreciation	13,000
Factory utilities	240		
Equipment maintenance	1,280		

Recently, an inexperienced account assistant has prepared the following budget report for June 2018 based on direct labour hours (DLH):

Diamond Sdn. Bhd.
Budget Report – Polishing Department
For the Month Ended 30 June 2018

	Budget 160 DLH	Actual 200 DLH	Difference Favourable (F)/ Unfavourable (UF)
<i>Variable costs</i>			
Direct materials	RM 4,000	RM5,600	RM1,600 UF
Direct labour	1,280	1,430	150 UF
Indirect materials	800	750	50 F
Factory utilities	240	480	240 UF
Equipment maintenance	1,280	1,300	20 UF
Total variable costs	RM7,600	RM9,560	RM1,960 UF
<i>Fixed costs</i>			
Supervision	12,500	12,000	RM500 F
Insurance expense	3,000	2,800	200 F
Depreciation	13,000	13,000	0 F
Total fixed costs	RM28,500	RM27,800	RM700 F
Total costs	RM36,100	RM37,360	RM1,260 UF

Based on the report, the owner of Diamond Sdn. Bhd. is unhappy with the performance of the department and would like the manager to be reprimanded.

Required:

- Prepare a flexible budget report based on flexible budget data for June 2018. (19 marks)
- Should the manager be reprimanded? Explain. (2 marks)
- Explain why the flexible budget is more informative than the static budget. (4 marks)

[TOTAL 25 MARKS]

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